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TAGS: ECON EFIN PREL YI  
SUBJECT: KOSOVO: NORTHERN MUNICIPALITIES SUBMIT FY 2007  
BUDGETS TO PISG AFTER THREE MONTH DELAY

REF: (A) 06 PRISTINA 598 (B) 06 PRISTINA 575 (C) 06

PRISTINA 518

Classified By: TINA KAIDANOW FOR REASONS 1.4(B) AND (D)

¶1. (C) Summary. Despite having publicly cut economic and political ties with the central government in Pristina, Kosovo's northern Serb-majority municipalities - Zubin Potok, Leposavic and Zvecan - recently submitted their FY 2007 budgets to the Kosovo Ministry of Finance and Economy (MFE). Although there submissions were 2-3 months past the deadline, the MFE quickly reviewed and approved their budgets. MFE officials believe the reasons for the delay were pressure from Belgrade and internal political tension among Serbs who are torn between following directives from Serbia, but also need their salaries and basic public services to survive.  
End Summary.

ALL NORTHERN MUNICIPALITIES FINALLY SUBMIT FY 2007 BUDGETS TO PISG

¶2. (C) Although Kosovo's three northern Serb-majority municipalities publicly cut all ties with the central government in Pristina in 2006 (reftels A-C), they nonetheless quietly submitted their 2007 municipal budget requests to the PISG. Zubin Potok submitted its budget in early February, followed by Leposavic on March 8, and finally Zvecan on March 20. All three missed the final deadline in December 2006 for the budget promulgation regulation established by UNMIK. MFE officials highlighted that the PISG wanted all municipalities to submit their budgets by the end of November, noting that they need time to review and approve budgetary requests in order to get the money to the municipal governments in a timely manner.

MFE REACTS QUICKLY TO APPROVE BUDGETS

¶3. (C) Minister of Finance and Economy Haki Shatri has responded quickly by approving the budgets as soon as the ministry received them. MFE officials said the Minister

understands the potentially negative economic and political ramifications of delay on this issue. For nearly three months, teachers, nurses, police and other civil servants did not receive their Kosovo salaries, and there were no reliable Kosovo Consolidated Budget-financed public services available due to this lack of funding (Note: Kosovo Serb public sector employees in northern Kosovo have continued to receive their salaries from Belgrade for their work in Serbian-funded parallel schools, medical facilities and social services End Note). One MFE official privately noted that Kosovar Albanians in the North also pressured the ministry to act quickly because they do not receive salaries from Belgrade and depend on the municipal funds from the central government to pay them.

4, (C) While MFE officials expressed satisfaction that the budgets were submitted, they also complained that they are trying to run a competent, professional ministry and believe the northern municipalities were given too much leeway to violate the rules and procedures established for all municipal governments. They noted that the northern municipal assemblies, with the exception of Zvecan, did not vote on their budget submissions. In addition, the presidents of the municipalities, who are Kosovo Serbs, did not sign the budget submissions, but instead authorized Kosovo Albanian representatives to do so. The MFE and UNMIK recognized the signatures.

#### PRESSURE FROM BELGRADE AND INTERNAL K-SERB POLITICS DELAY TIMELY BUDGET SUBMISSIONS

¶5. (C) MFE officials noted that in their private conversations with Kosovo Serb municipal officials during the budget submission impasse, the reasons for the delay were pressure from Belgrade not to cooperate with PISG

institutions and internal political tension among K-Serbs torn between following Serbia but wanting their salaries and basic public services to survive. According to MFE officials, Kosovo Serbs are feeling more pressure to resist participating with PISG institutions given the ongoing developments in the Kosovo final status negotiations.

¶6. (C) Comment: It is a relief that the northern municipalities finally submitted their budgets to the MFE, and an interesting sign that multi-ethnic cooperation can continue, even with Serb hardliners, if it remains largely under the radar. The reliance on Kosovo Albanian signatures indicates an unusual compromise which allows Serb leaders to save face while still obtaining money and resources from the Kosovo Consolidated Budget. Complaints from Kosovo ministry officials regarding too much leeway given to the northern municipalities were predictable, but the MFE's demonstration of flexibility is a good start to what will be a recurring need for patience, creativity and understanding in finding ways to implement the Ahtisaari provisions together with the Serb community in Kosovo. End Comment.

¶7. (SBU) USOP approves this message for release in its entirety to UN Special Envoy Ahtisaari.

KAIDANOW